



WEEKLY ECONOMIC DIGEST



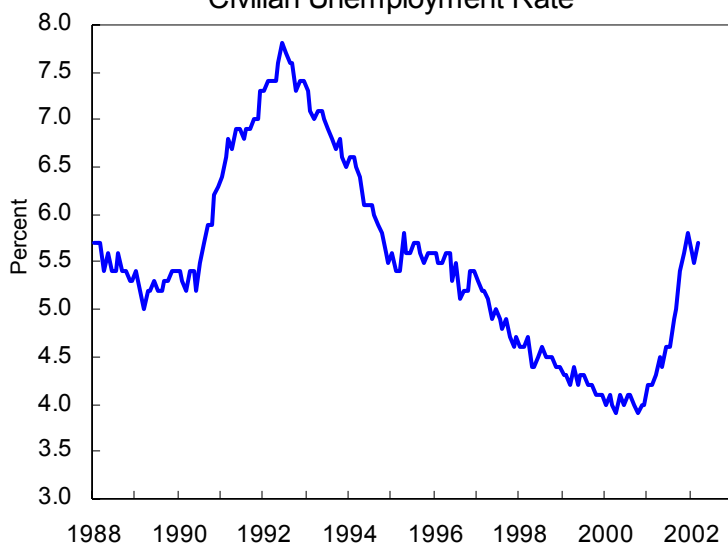
JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF

SENATOR JACK REED (D-RI) – VICE CHAIRMAN

April 9, 2002

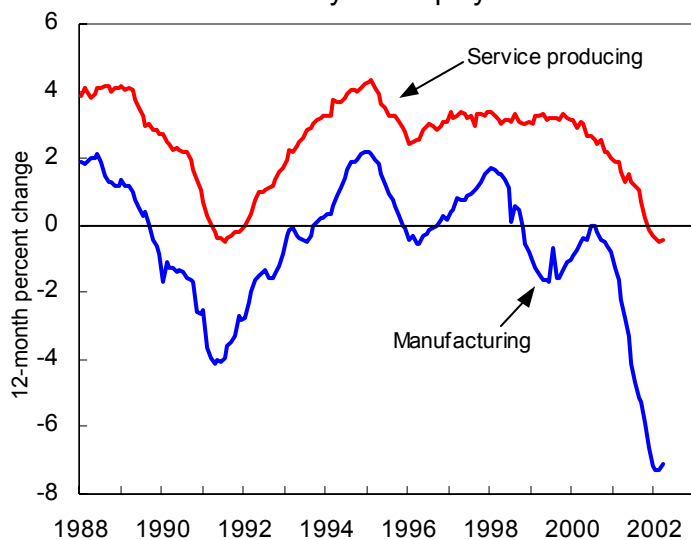
The Economy Strengthens But Job Growth Lags

Civilian Unemployment Rate



Source: Bureau of Labor Statistics, U.S. Department of Labor.

Private Payroll Employment



Source: Bureau of Labor Statistics, U.S. Department of Labor.

- **Fourth-quarter growth was revised up again.** After adjustment for inflation, gross domestic product (GDP) grew at an annual rate of 1.7 percent over the final three months of 2001, according to revised estimates by the Department of Commerce. At the start of this year, most analysts thought that GDP had declined during the fourth quarter; however, spending by households outpaced expectations. Inflation-adjusted consumer spending has stayed strong so far this year as well, growing at an average annual rate of more than five percent in January and February. Because consumer spending is about two-thirds of GDP, the monthly spending data have led many analysts to believe that growth of GDP may have increased sharply in the first quarter of this year.
- **Unemployment rose in March.** The civilian unemployment rate rose to 5.7 percent last month, up 0.2 percentage points from its February level. The unemployment rate for black workers surged by more than a percentage point to 10.7 percent, its highest monthly level in over four years. Substantial month-to-month fluctuations in the overall unemployment rate are common, however, and it would be premature to conclude that the March rise in unemployment represented a deterioration in labor market conditions. The three-month moving average of the civilian unemployment rate has changed little since December.
- **Payroll employment was little changed.** Employment on private nonfarm payrolls rose by a scant 21,000 jobs in March. Payrolls in private service-producing industries rose by 98,000 jobs in March to a level only 0.4 percent below the level that prevailed a year earlier, largely as a result of a sizeable rise in temporary help service employment. Factory payrolls declined somewhat, but the rate of job loss in manufacturing was far below the declines in that sector since the start of last year. The average factory workweek, in contrast, increased sharply to 41.1 hours and production workers logged more overtime hours than they had in any month since January 2001.

Economy At A Glance	Mar	Feb	Jan	Dec	2002 Qtr 1	2001 Qtr 4	2001 Qtr 3	2001 Qtr 2	2001	2000
Economic Activity										
Real GDP (% growth)						1.7	-1.3	0.3	1.2	4.1
Industrial Production (% growth)		4.9	2.4	-3.5		-6.6	-4.7	-5.9	-3.8	4.5
Capacity Utilization (Level, %)		74.8	74.5	74.4		74.7	76.2	77.4	76.8	81.8
Civilian Unemployment Rate (Level, %)	5.7	5.5	5.6	5.8	5.6	5.6	4.8	4.5	4.8	4.0
Housing Starts (Thousands)		1769	1721	1602		1579	1601	1623	1608	1575
Real Disposable Personal Income (% growth)		6.7	22.4	4.6		-8.1	12.3	2.4	3.6	3.5
Retail Sales (% growth)*		3.3	-3.8	2.9		12.3	-1.3	5.5	3.5	7.6
Personal Saving Rate (Level, %)		2.0	1.9	0.6		0.4	3.8	1.1	1.6	1.0
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)		2.4	2.4	-1.2		-0.3	0.7	3.1	2.8	3.4
Core CPI-U Inflation (% growth)		3.7	2.4	1.2		2.7	2.7	2.4	2.7	2.4
Compensation per Hour (% growth)						4.1	3.6	4.1	4.1	4.4
Output per Hour (% growth)						5.2	1.1	2.1	1.9	3.3
Financial Markets										
T-Bill Rate, 3-month (Level, %)	1.8	1.7	1.7	1.7	1.7	1.9	3.2	3.7	3.4	5.8
T-Note Rate, 10-years (Level, %)	5.3	4.9	5.0	5.1	5.1	4.8	5.0	5.3	5.0	6.0
Federal Funds Rate (Level, %)	1.7	1.7	1.7	1.8	1.7	2.1	3.5	4.3	3.9	6.2
Dow Jones Industrial Avg (Index Level)	10501	9891	9924	9980	10105	9641	9934	10669	10189	10735

Sources: Bureau of Economic Analysis, US Department of Commerce; US Bureau of the Census; Board of Governors of the Federal Reserve System; Bureau of Labor Statistics, US Department of Labor; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

* Subject to revision this week.

Major Economic News Due in Coming Weeks:

- **Producer Price Index, March** [Release: Friday, April 12, 2002]
- **Retail Sales, March (Preliminary)** [Release: Friday, April 12, 2002]
- **Business Inventories, February** [Release: Monday, April 15, 2002]